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THE

# Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS  
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.

BAC

OCTOBER 1947

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## SUMMARY

Commodity prices are continuing their rise which began in July--the third general advance since the summer of 1946. Wholesale prices of all commodities, after halting briefly in September, rose further in the early weeks of October, and prices received by farmers rose three points to a new record in mid-October.

Since mid-summer, prices of foods and foodstuffs have tended to outrun prices of other farm commodities. The farm price of wheat rose 23 cents between mid-September and mid-October. Export demand for wheat and other food grains is very strong and has led to requests by the Government for food-saving efforts and for conservative use of wheat as food and as feed for livestock.

## ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1946		1947			
		Year	Aug.	June	July	Aug.	Sept.
Industrial production <u>1/</u>	1935-39						
Total.....	= 100	170	178	184	177	182	185
All manufactures.....	"	177	184	190	184	188	191
Durable goods.....	"	192	208	218	208	210	216
Nondurable goods.....	"	165	164	168	164	169	171
Minerals.....	"	134	144	148	141	150	153
Construction activity <u>1/</u>	1935-39						
Contracts, total.....	= 100	267	275	237	270	289	
Contracts, residential.....	"	350	385	284	333	368	
Wholesale prices <u>2/</u>	1926 =						
All commodities.....	100	121	129	148	151	154	157
All commodities except							
farm and food.....	"	110	112	131	133	136	138
Farm products.....	"	149	161	178	181	182	186
Food.....	"	131	149	162	167	172	179
Prices received and paid by	1910-14						
farmers <u>3/</u>	= 100						
Prices received, all prod.....	"	233	249	271	276	276	286
Prices paid, int. and taxes.....	"	194	202	231	231	235	237
Parity ratio.....	"	120	123	117	119	117	121
Consumers' price <u>5/</u> <u>6/</u>	1935-39						
Total.....	= 100	139	144	157	158	160	
Food.....	"	160	171	190	193	196.5	
Nonfood.....	"	128	129	138	139		
Income							
Nonagricultural payments <u>4/</u> ...	Bil.dol.	157.9	160.5	171.9	172.3	172.6	
Income of industrial workers <u>3/</u>	1935-39	270	290	318	312	322	
Factory payrolls <u>5/</u> .....	= 100	284	303	340	334	343	
Weekly earnings of factory							
workers <u>5/</u>							
All manufacturing.....	Dollars	43.73	44.99	49.33	49.03	49.29	
Durable goods.....	"	46.48	48.02	53.00	52.23	52.49	
Nondurable goods.....	"	41.01	41.89	45.32	45.65	45.98	
Employment							
Total civilian <u>7/</u> .....	Millions	55.2	57.7	60.1	60.1	59.6	58.9
Nonagricultural <u>7/</u> .....	"	46.9	48.6	49.7	50.0	50.6	50.1
Agricultural <u>7/</u> .....	"	8.3	9.1	10.4	10.1	8.9	8.7
Government finance (fed.) <u>8/</u> ...	Mil.dol.						
Receipts, net.....	"	3,467	2,434	5,473	2,397	2,536	4,872
Expenditures.....	"	3,676	2,932	5,540	3,669	3,060	2,932

Annual data for the years 1929-46 appear on page 11 of the April 1947 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 5/ U. S. Dept. of Labor, BLS. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of the Census. 8/ U. S. Dept. of Treasury. Data for 1946 are on average monthly basis.



## OUTPUT AND EMPLOYMENT

Industrial production in September recovered further from July. The Federal Reserve Board index, seasonally adjusted, rose to 185 (1935-39 = 100), 8 points above its dip to 177 in July and only 5 points below the peacetime record of 190 in March of this year. Production of durable goods rose to 216 in September, 8 points higher than in July. Automobile production increased sharply from the relatively low levels of July and August, and steel output remained at about the August level of 90 percent of capacity. Output of nonferrous metals rose for the first time since March.

Nondurable goods production also increased further in September, partly because of slightly greater demand for textiles, leather products and similar lines. The index was 171 in September, 7 points higher than the July level and only 6 points below the peacetime high of 177 reached in February of this year.

The September rate of industrial production apparently continued through the first two weeks of October. Shortages of materials again may have retarded automobile output briefly in the middle of October.

Total civilian employment was estimated by the Department of Commerce to be 59.2 million persons in October. This was slightly higher than in September because of a small rise in employment outside of agriculture. Farm employment changed little. Total employment in October was 2.2 millions larger than in the same month of 1946. This gain over last year also was entirely nonagricultural; farm employment was the same in October 1946 and 1947.

The number unemployed in October, 1.7 million, was a little smaller than in September.

## INCOME AND RELATED FACTORS

Personal income in August was at a seasonally adjusted annual rate of 194.4 billion dollars, 1.7 billion smaller than the record July rate but 13½ billions larger than a year ago. Farm income dropped slightly from July to August because of smaller marketings. Nonagricultural income remained almost unchanged in August (data from Department of Commerce).

Reflecting slightly larger payrolls in factories, mining, construction, and trade, salary and wage payments in August rose to a record annual rate of 122.1 billion dollars, almost 1 billion larger than July. They were 9.8 billion larger than a year earlier.

Dollar sales at department stores, seasonally adjusted, increased 3 percent from August to September. The index of 290 (1935-39 = 100) was only slightly below the record in May and was 7 percent above September 1946 (Federal Reserve Board data). The gain over last year was chiefly in durable goods, sales of which increased in volume. Dollar values for nondurables also were a little larger but represented higher prices only, rather than a larger volume of sales.

## COMMODITY PRICES

Commodity prices are continuing their third general advance since the summer of 1946. At each new price level, production of goods and services has failed to meet demands. Although prices have climbed less rapidly recently than they did early this year and in the fall of 1946, the persistence of the increase shows that the danger of a faster and very serious inflation is still present.

Wholesale prices of all commodities were reported by the Bureau of Labor Statistics to average 157 (1926 = 100) in September. This is a gain of 6 points since July, the largest for a two-month period since last January-March. Average prices for both industrial and agricultural commodities went up, but foods rose the most. Contrasted with the gains for foods and foodstuffs, cotton and tobacco prices declined slightly.

Wholesale prices leveled off late in September, but rose again in October. The index was 158 for the second and third weeks in October, and showed increases for nearly all groups of commodities.

Retail prices, as measured by the BLS consumers' price index, have continued to rise gradually. The index was 160 (1935-39 = 100) in August, one point higher than in July and 15 points higher than in August last year. Almost all the change from July to August was in foods, the index of which rose three points to 196. Food prices in August last year were 171.

Reports from stores patronized by farmers indicate that food prices moved up further in September and October.

Prices received by farmers rose 3 points to a new record of 289 (1909-14 = 100) on October 15, following a 10 point advance the previous month. Food grains, led by a 23 cent rise in the farm price of wheat, gained substantially in October. Other prominent increases were in truck crops and cottonseed. Fruit prices averaged lower as the fall harvest came on the market.

Prices paid by farmers, including interest and taxes, also moved to a new record in October. The index was 239 (1910-14 = 100), 1 point above September. The parity ratio--the index of prices received divided by prices paid including interest and taxes--was 121, higher than in recent months but lower than a year ago.

## FARM INCOME

Farmers' cash receipts from marketings during the first 10 months of this year are estimated at 24.1 billion dollars, 26 percent more than in the same period last year. This includes 13.9 billion dollars from livestock and products and 10.2 billion dollars from crops, increases of 30 and 21 percent, respectively. In addition, Government payments were less than 300 million dollars. Cash receipts and Government payments combined, 24.4 billion dollars, were up 23 percent over the first 10 months of 1946.

Farmers received about 3.1 billion dollars from marketings in September, nearly one-half more than last year. Prices averaged 18 percent above September 1946 and marketings were larger. Receipts from livestock and products were about 1.6 billion dollars, three-fourths greater than last year. Receipts from meat



animals were about 3 times as large as a year earlier, largely because marketings were unusually small in September 1946 in anticipation of price decontrol. In addition, meat-animal prices were nearly 50 percent higher this September than last. Receipts from crops in September were about 1.5 billion dollars, 24 percent greater than in 1946. Crop prices averaged only 8 percent higher but sales were larger.

In October, cash receipts totaled about 3.7 billion dollars, a new record. Prices averaged 6 percent above October 1946. Receipts from all livestock and products probably were about 10 percent greater than last year, with prices approximately 5 percent higher. Receipts from meat animals gained around 20 percent because of higher prices and increased marketings. Receipts from crops were also about 10 percent higher in October this year than last. Bigger receipts from soybeans and wheat were partly offset by smaller receipts from fruit.

#### LIVESTOCK AND MEATS

Prices of hogs and fed cattle again set new records in mid-October. But prices of grass fat cattle, veal calves, and lambs in October declined moderately below the September peak as slaughter increased seasonally. The drop in lamb prices was rather large and followed a sharp decline in prices for dressed lamb.

Prospects are that meat-animal prices will decline moderately this fall and early winter when a seasonal gain in slaughter is expected. But prices are likely to rise again in the late winter or spring.

Total meat production from July through September apparently was 5 to 10 percent greater than a year earlier when uncertainties about price control held livestock from market. Meat output in the fourth quarter of 1947 may be moderately smaller than the unusually large marketings that followed removal of price controls in that period last year. It probably will be the smallest for the season since 1942.

Hog slaughter through next February or March is expected to total about the same as a year earlier. The 1947 spring pig crop was only slightly larger than the 1946 spring crop. However, the number of cattle for slaughter probably will be less than a year earlier, because of the record slaughter so far this year. Relatively few cattle will be grain fed. Because of high prices and smaller supplies of corn and other feed, fewer stocker and feeder cattle have moved to Corn Belt feeding areas since July this year than last.

The number of lambs to be grain fed for market this winter and next spring also probably will be less than a year earlier, and may be the smallest since 1936-37. Wheat pastures, which carried more than one million sheep and lambs last year, are much poorer this year. Also, supplies of feed for lamb feeding in the Corn Belt are smaller.

The hog-corn price ratio during September and October, the beginning of the breeding season for sows for spring farrowing, indicates that a moderate reduction in the 1948 spring pig crop is in prospect. The hog-corn price ratio has been below average since June. On October 15, it was 12.4, farm basis, compared with the 1926-45 average of 12.9 for that month. A hog-corn price ratio of less than 12.7 during the breeding season (September-December) has been followed by a reduced pig crop the next spring in all but one of the last 23 years.

## POULTRY AND EGGS

Egg prices rose less than usual from mid-October to mid-September, but still were significantly above last year. Prices of turkeys have been increasing during the past few months. Those for chickens increased in August and September but declined moderately in October.

Egg prices are expected to remain at or near support levels, 90 percent of parity, through the first half of 1948. If the parity index continues at about present levels, minimum supports would be about as high as actual returns in the first half of 1947. Whether purchases for price support will be necessary depends principally on the size of foreign demand.

Chicken and turkey prices may increase during the next few months as a result of decreasing supplies accompanied by continued high consumer incomes and high meat prices.

## DAIRY PRODUCTS

The price of butter has been fluctuating irregularly, and in October averaged about 15 percent below last October; cheese prices have been going up consistently but are somewhat below prices at this time last year; fluid milk prices are somewhat above last year. From November on, prices of dairy products will decline seasonally as production turns upward, but probably will not fall as fast as last year. During the early part of 1948, prices are likely to be higher than in the same months of 1947.

The milk flow during the past three months has been less than in the same period last year. Production per cow continues at a record rate but fewer milk cows are on hand.

## FATS, OILS, AND OILSEEDS

Prices of most fats and oils other than butter advanced rapidly during September. The September index number of wholesale prices of 26 major fats and oils, excluding butter, was 243 (1935-39 = 100) compared with 209 a month earlier, with the peak of 371 in March this year, and with 155 in June 1946, the last month of wartime price ceilings for most fats and oils. The increase in September was due partly to improved prospects for large exports of fats and oils in the rest of 1947. Prices remained high in October; the average for the month was about 280 (1935-39 = 100).

Wholesale butter prices averaged 80 cents per pound (92-score, Chicago) in September compared with 75 cents in August, but the price trend in the latter half of the month was downward. The October average was about 70 cents per pound.

The cotton crop estimate on October 1 was 3 percent smaller than a month earlier but still was 3.2 million bales above last year. If the ratio between lint and seed equals the 1942-46 average, production of cottonseed in 1947 would be 4,669,000 tons, up 33 percent from 1946. Estimated production of the other major oilcrops in 1947 is as follows: soybeans, 181.0 million bushels, 8 percent less than in 1946; flaxseed, 40 million bushels, 74 percent more than in 1946; peanuts, 2,102 million pounds, up 3 percent from 1946.



## CORN AND OTHER FEED

Smaller feed-grain supplies and a continued strong demand are expected to hold feed prices high this winter and next spring. Prices of feed grains and grain byproduct feeds probably will continue high in relation to protein feeds and hay.

Prices of corn and other feed grains reached record peaks in mid-September and were not much below those peaks in mid-October. Corn prices are expected to decline less than usual this fall in contrast to the sharp drop in the fall of 1946.

Domestic disappearance of feed grains during July-September was about as large as in 1946 and considerably larger than average. Domestic disappearance of corn was about  $41\frac{1}{2}$  million bushels, 17 percent larger than in July-September 1946. Disappearance of oats was 22 percent smaller than the record disappearance in that quarter last year but still above average. Carry-over stocks of old corn on October 1 were 289 million bushels, 116 million bushels more than a year earlier.

The total supply of all feed concentrates for 1947-48 was estimated early in October to be 140 million tons, 14 percent smaller than in 1946-47 and the smallest since 1940. The total corn supply for 1947-48 is 2,749 million bushels, 711 million bushels smaller than 1946-47 and the smallest in 10 years. Supplies of other feed grains also are smaller than in the past few years. But supplies of protein feeds and hay are expected to be about the largest on record in relation to the number of livestock on farms.

## WHEAT

Wheat prices continued to rise until late October. Prices received by farmers in mid-October averaged \$2.66 per bushel, the highest on record. The advance resulted from large current demand and from reports of drought and unfavorable growing conditions in important winter wheat areas of the Southwest. The price of No. 2 Hard Winter Wheat at Kansas City on October 23 was \$3.06, which compares with last season's high of \$2.93 on May 28 and the current season's low of \$2.10 on July 7. Late in October, however, prices dropped moderately.

Wheat stocks in the United States on October 1 totaled 1,142 million bushels. Since total supplies at the beginning of the marketing year (carry-over July 1 plus production) were approximately 1,491 million bushels, the indicated disappearance for the July-September quarter is 349 million bushels. Exports, food and seed use is estimated at about 290 million bushels and the quantity used for feed at about 60 million bushels.

On the basis of this disappearance, and without allowance for savings resulting from the voluntary conservation program, estimated disappearance in the year beginning July 1 would be: Food, 500 million bushels; seed, 87 millions; and feed, 250 to 300 millions; and 600 millions or more left for export and for carry-over July 1, 1948. Savings from the voluntary program would increase the quantity available for export and carry-over.

## FRUIT

Prices for most fresh fruit in November and December are expected to be at or near the levels of a year earlier. Supplies will be about as plentiful as in those months of 1946, with the exception of eastern-grown apples.

With harvest completed, prices received by growers for apples and pears in November and December are expected to rise seasonally about as much as in 1946. Prices for fresh grapes may increase somewhat in these two months as sales are made from storage, but will be considerably lower than last year. Cranberry prices on the New York City and Chicago wholesale markets were slightly lower in early October than a year earlier, but may increase a trifle in November in response to Thanksgiving demand. The 1947 cranberry crop is about one-eighth smaller than the relatively large 1946 crop. Carry-over stocks of canned cranberries are larger than last fall.

Prices for oranges may be somewhat higher in November and December than in those months of 1946, partly because of the prospects that the new crop will be a little smaller and partly because demand for processing is expected to be stronger. The 1947-48 early and mid-season orange crop is estimated to be nearly one-tenth smaller than the 1946-47 crop. Demand for grapefruit for processing also is expected to be a little stronger this year than last, but prices may be little if any higher. The new grapefruit crop, other than California summer grapefruit, is estimated to be about 6 percent larger than in 1946-47.

Through October 14, the Department of Agriculture had purchased more than 112,000 tons of raisins, dried prunes, dried peaches, and dried apples. Further purchases of raisins are being arranged.

## TRUCK CROPS

The strong demand for fresh vegetables this summer and fall is expected to continue, at least through the coming winter and spring. Since total commercial production of truck crops intended for the fresh market in October, November and December is about one-fifth smaller than last year and only about one-tenth larger than the 1936-45 average, prices received by growers in general are expected to be substantially higher than a year earlier. Only lettuce, early fall green peas, cauliflower and early fall spinach are expected to be in larger supply than a year ago.

Supplies of canned and frozen vegetables for consumption this fall and winter probably will be about as large as those at this time in 1946. Demand will be as strong as last year.

## POTATOES AND SWEETPOTATOES

Prices received by farmers for potatoes in November and December are expected to be about one-fourth higher than in the same months of 1946. The total 1947 crop is only slightly larger than the 1935-45 average. In the 18 surplus late States it is a little above average, but in the 11 nonsurplus late States it is considerably below average and smaller than last year. Contributing to the prospects for higher prices are a continued strong demand for vegetables, smaller fall production of truck crops, and a Government price-support schedule that is higher and provides larger monthly step-ups than last year.



The sweetpotato crop this year is slightly more than 59 million bushels, compared with 67 million bushels last year and the 10-year average of 64 million bushels. The unusually rapid marketing of new crop sweetpotatoes from the eastern shore of Maryland and Virginia in September and October caused prices to drop to support levels. Consequently, to support prices the Government purchased unexpectedly large quantities. Prices to farmers are expected to average well above support levels after storage of this year's short crop is completed.

#### COTTON

Cotton prices declined almost steadily for three months, then increased in early October. Middling 15/16" in the ten spot markets averaged 33.19 cents per pound on October 23 compared with 31.58 cents a week earlier and with the peak of 39.35 cents in mid-July. This rise is partly due to prospects for a smaller crop than previously had been estimated. On October 1 the crop was estimated at 11,170 million running bales, compared with the previous estimate of 11,543 million bales.

Consumption of cotton during September was 727,448 running bales. The daily rate of 33,835 bales was slightly lower than for August and over 6,000 bales less than the rate during September, 1946.

Nearly 141 million square yards of cotton fabrics were exported during August compared with 129 million during July and approximately 60 million in August, 1946. During the six months ending August 31, 811 million square yards were exported, more than twice as much as during the same six months in 1946 and considerably more than for any other six months in history.

On the other hand, exports of raw cotton have been very small.

#### WOOL

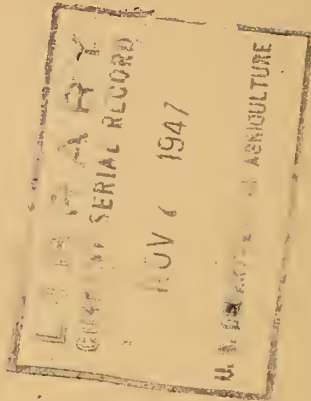
Wool prices in foreign markets continued generally firm to rising throughout September and early October. Participation of American buyers in these markets was reported to be largely confined to South American fine wools. At the close of the first London auctions on October 3, fine Australian good combing fleeces were quoted at \$1.38 compared with \$1.36 three weeks earlier. Closing prices on New Zealand fine crossbred fleeces (three-eighths blood) were 88 cents, 7 cents above the opening prices.

With fine wool prices in foreign markets still high, domestic mills continued to shift to domestic sources for the greater part of their fine wool supplies. A substantial quantity of CCC wools was sold during September and the first half of October, although sales may not have reached the record of this period last year. On October 17, CCC sale prices for fine domestic wool were still about 10 percent below prices of similar imported wools on a comparable basis.



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TOBACCO

Prices of flue-cured tobacco were generally higher in early October than for previous weeks of this season but declined by the middle of the month. The average for all auction sales of types 11-13 was 42.3 cents per pound during the two weeks ending October 24 compared with 41.9 cents for previous weeks of the season. The average auction price last season for gross sales of these types was 47.8 cents. Approximately 75 percent of the 1947 crop of flue-cured, which is estimated at 1,310 million pounds, has been marketed.

Tax-paid withdrawals of cigarettes continued high during September, totaling 29.2 billion, 9 percent above last year. Cigar withdrawals increased from August to September and were 4 percent above September 1946. Smoking tobacco output turned upward in July, increasing 11 percent over June and 5 percent over July last year.

Exports of leaf tobacco were about 3 percent smaller in September 1947 than in the same month a year earlier. September shipments to the United Kingdom were only three-fourths as large as in September 1946. On October 23 the British Government announced that all tobacco purchases from the United States had been stopped "until further decision." Following this announcement, the United States Department of Agriculture expanded its programs for supporting prices of flue-cured tobacco to include special purchases in addition to the present loan at 90 percent of parity for complying producers. Among other objectives, the new purchase program will permit more rapid transactions and better selection of desirable grades for eventual sale through foreign-trade outlets than is possible in the loan programs.